



**Local Agency  
Formation Commission**  
**LAFCO of Napa County**

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**AUGUST 12, 2004**  
**AGENDA ITEM NO. 9b**

August 4, 2004

**TO:** Local Agency Formation Commission

**FROM:** Daniel Schwarz, Executive Officer  
Keene Simonds, Staff Analyst

**SUBJECT: Comprehensive Water Service Study:** Draft Service Review Determinations  
Lake Berryessa Resort Improvement District  
Napa-Berryessa Resort Improvement District  
Spanish Flat Resort Improvement District

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At its April 10, 2003 meeting, the Commission received a presentation by staff providing an overview of the first phase of the *Comprehensive Water Service Study*. Following this presentation, the study was released for public review and a public workshop was conducted by the Commission at its June 12, 2003 meeting. At the conclusion of the public workshop, the Commission directed staff to proceed with the next phase of the study: the development of draft determinations. Since this time, staff has presented draft determinations along with updated study sections for 10 of the 13 public agencies included in the study. These agencies are:

- ? City of American Canyon
- ? City of Calistoga
- ? City of Napa
- ? City of St. Helena
- ? Town of Yountville
- ? Circle Oaks County Water District
- ? Congress Valley Water District
- ? Los Carneros Water District
- ? Napa County Flood Control and Water Conservation District
- ? Napa Sanitation District

In a continuation of this process, staff has prepared draft determinations along with updated study sections for the remaining three agencies included in the study. These agencies are the Lake Berryessa Resort Improvement District, Napa-Berryessa Resort Improvement District, and the Spanish Flat Water District. These draft determinations are included with updated study sections for each agency and are presented to the Commission for its consideration pursuant to Government Code §56430. Staff is presenting these draft determinations to the Commission for a first-reading. These draft determinations will then be circulated for comment to each agency and interested parties. Final determinations will be presented for adoption at the Commission's October 14, 2004 meeting.

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Supervisor, 4th District

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It is important to note that a common determination proposed for all three agencies under the “Governance Structure Options” section is that a governance study should be conducted to determine whether any reorganization options would benefit the residents of the area. Notably, the study should evaluate whether reorganization of all three agencies would establish economies of scale necessary to enhance service levels within their respective jurisdictional boundaries and help to formalize service provision in the Lake Berryessa area. The study should be completed prior to the next scheduled service review of each agency.

## NAPA-BERRYESSA RESORT IMPROVEMENT DISTRICT

### OVERVIEW

The Napa-Berryessa Resort Improvement District (NBRID) was established in 1965 to provide potable water and sewer services to the Steele Park Resort and a planned recreational and residential development along the southern shoreline of Lake Berryessa. The District was formed under the Resort Improvement District Law, which was enacted by the California Legislature in 1961. The law was created to facilitate the formation of public agencies capable of providing a wide range of municipal services in areas best suited for recreational and seasonal uses. Along with water and sewer, other prominent services authorized under the law included fire protection, planning, public recreation, and street lighting. It was expected that the District would offer additional services authorized under the law as needed. However, in 1971, the law was amended to preclude a district from providing services that were not already being provided as of July 1, 1970. At the time of the amendment, the District had only established water and sewer service.

NBRID's formation was proposed by the Berryessa Highlands Development Company and the Lake Berryessa Development Company. Prior to proposing formation of the District, the Berryessa Highlands Development Company had approached the County of Napa to express its interest in developing a subdivision in the Lake Berryessa area. It was anticipated that the subdivision, to be known as "Berryessa Highlands," would be developed in phases and include approximately 2,000 units. The Lake Berryessa Development Company, operator of the Steele Park Resort, also supported formation of the District in order to provide water and sewer service for its approximate 510-acre resort.<sup>1</sup> To assist in the development of the area, the Board of Supervisors supported the formation of the District and agreed to serve as its governing body.

In 1967, NBRID issued general obligation bonds to finance the construction of water and sewer facilities to serve the Steele Park Resort and the first two phases of Berryessa Highlands, "Unit One" and "Unit Two." These facilities included a water treatment plant, storage facilities, and a distribution system. Construction of these facilities was completed in 1968. That same year, the Board of Supervisors designated the Napa County Flood Control and Water Conservation District (NCFCWCD) to provide operation and administrative services for the District.<sup>2</sup> Water supplies for the District were initially drawn from Lake Berryessa through an informal agreement with the County. This arrangement was formalized in 1975 following an agreement between the District and NCFCWCD. Renewed in 1999, the agreement provides the District with an annual entitlement of 200 acre-feet of water from Lake Berryessa through 2024.

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<sup>1</sup> The Steele Park Resort, along with six other resorts, was developed in the late 1950s following an agreement with the County to provide recreational and commercial services to the public at Lake Berryessa. Administrative duties concerning recreational development at Lake Berryessa were later assumed by the United States Department of the Interior, Bureau of Reclamation, in 1975.

<sup>2</sup> Based on an informal agreement with the NCFCWCD, the County Public Works Department currently provides operation and administrative services for NBRID.

In 1996, NBRID authorized a status report on its water and sewer facilities.<sup>3</sup> The report was in response to damage caused by the previous year's storms along with increased federal and state drinking water standards. The report noted that a significant portion of the District's reserves had been recently used on maintenance improvements to its water system. The report also noted that the County had been using money from its general fund to help cover the cost of larger improvement projects on behalf of the District, such as a new water intake system. However, beginning in 1996, the report noted that these funds would no longer be available to the District. As a result, additional revenue was needed to maintain operations and replenish the District's reserves in order to fund future capital improvements. Notable capital improvements identified in the report included repairing the District's 500,000 gallon storage tank and constructing a backup water treatment filter system.

Following the release of the 1996 status report, NBRID increased water usage rates to help meet operational and maintenance costs. The increase, which was implemented over a three year period, raised rates by approximately 75 percent. In 1997, the District conducted a special election for the purpose of approving a new parcel tax. However, the parcel tax, which was sought to replenish reserves and fund new capital improvements, was defeated by District voters.

A prominent planning factor for NBRID involves the limited development within its primary service area: Berryessa Highlands. As noted, Berryessa Highlands was intended to include the development of a multi-phased 2,000-unit subdivision. Due to a change in market demand, however, only the first two phases of Berryessa Highlands were developed. Further, development within these two phases, Unit One and Unit Two, has been limited. Notably, while Unit One involved the creation of 202 residential lots and Unit Two involved the creation of 359 residential lots, only 55 percent of these lots were developed as of December 2002.<sup>4</sup>

## GOVERNANCE

NBRID was organized under the Resort Improvement District Law, Division 11 of the California Public Resource Code. The District's governing body consists of the Napa County Board of Supervisors, who are elected to staggered four-year terms by district voting.<sup>5</sup> Supervisors are required to conduct the business of the District in accordance with the provisions of County Service Area Law. District elections are based on a resident-voter system. Potable water services can be financed through water usage and availability charges, assessments, and general obligation and revenue bonds.

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<sup>3</sup> The report was conducted by the County Public Works Department and was prepared in conjunction with an evaluation of the facilities of the Lake Berryessa Resort Improvement District.

<sup>4</sup> Estimate based on the total number of service connections (310) within the Berryessa Highlands.

<sup>5</sup> The Board of Supervisors is authorized to delegate any of its governance powers to a five-member board of directors. Four of the five directors must be elected by District voters, with the fifth director being the supervisor representing the affected area. However, upon the unanimous vote of the directors, the board may consist of five members who are all elected resident voters of the District.

NBRID's board meetings are conducted on a need basis, and typically are called to address budget issues, project approval, and rate increases. Meetings are conducted at the County of Napa's Administration Building and are open to the public. Pursuant to the Resort Improvement District Law (Public Resource Code 13000 et. seq.), the District was originally authorized to provide the following municipal services:

- To supply water for domestic, irrigation, sanitation, industrial, fire protection, and/or recreation uses (PRC §13070-a)
- The collection, treatment, and disposal of sewage, waste, and storm water (PRC §13070-b)
- Fire protection (PRC §13070-c)
- Community planning (PRC §13070-d)
- The collection and disposal of garbage (PRC §13070-e)
- Public recreation (PRC §13070-f)
- Street lighting (PRC §13070-g)
- Mosquito abatement (PRC §13070-h)
- The equipment and maintenance of a police department or other police protection (PRC §13070-i)
- Road construction (PRC §13070-j)
- Public work improvements, including the construction of bridges, culverts, curbs, gutters, and drains (PRC §13070-k)
- The construction of parking and transportation facilities (PRC §13070-l)

In 1971, the Resort Improvement District Law was amended limiting NBRID to providing only the first two services listed above.

## **OPERATIONS**

Under the direction of the Napa County Board of Supervisors, the Napa County Public Works Department provides administrative and operational services for NBRID's potable water and sewer systems. The County employs one full-time licensed operator to manage the District's day-to-day operations. The operator is on call 24 hours a day, 7 days a week, to respond to reported emergencies. In addition to the full-time operator, the District and the Lake Berryessa Resort Improvement District share a full-time licensed

water and sewer treatment supervisor. Customer inquiries, including billing and service questions, are directed to the Public Works Department. Extra help is made available to the District on a need basis. Currently, two extra help personnel assist with operations at both the District and the Lake Berryessa Resort Improvement District. The District's field office is located next to its sewer treatment plant.

## ADOPTED BOUNDARIES

NBRID's adopted service area is comprised of a contiguous, unincorporated area consisting of approximately 1,899 acres. The District's adopted sphere of influence encompasses less than 30 percent of all land located within its jurisdictional boundary. The District is under the land use authority of the County of Napa. Land located within the District's adopted sphere of influence is designated under the County's General Plan as "Agricultural, Watershed and Open Space" and "Rural Residential." Zoning for this area is comprised of three standards: "Agricultural Watershed," "Planned Development," and "Residential Country."<sup>6</sup> Agricultural Watershed and Residential Country zoning standards require minimum parcel sizes of 160 and 10 acres respectively. There are no minimum sizes for parcels zoned Planned Development.

<b>NBRID – Adopted Boundaries</b>	
District Boundary:	1,899 acres *
Sphere of Influence Boundary:	509 acres *

\* Figures are approximations calculated using information generated by LAFCO and County of Napa's geographic information systems.

## WATER SUPPLY

NBRID's water supply is drawn from Lake Berryessa.<sup>7</sup> The District's right to draw water from Lake Berryessa is secured through a 1999 agreement with NCFCWCD. NCFCWCD presently administers an agreement with the United States Department of the Interior, Bureau of Reclamation, for an annual water entitlement of 1,500 acre-feet from Lake Berryessa. In turn, NCFCWCD subcontracts this entitlement to several property

<sup>6</sup> District land located outside of its adopted sphere of influence is zoned Agricultural Watershed and Residential Country.

<sup>7</sup> Lake Berryessa was developed by the United States Department of the Interior, Bureau of Reclamation, as part of its Solano Project. The Solano Project originally intended to provide Napa, Yolo, and Solano Counties with a reliable source of water for agricultural and domestic uses. After concluding that the Berryessa Valley would be an ideal location for the creation of a water reservoir by damming Putah Creek, the Bureau of Reclamation approached all three counties about participating in a joint project. However, both Napa and Yolo decided against participating in the project, leaving Solano County as the sole participant. The Monticello Dam was completed in 1957, and the formation of Lake Berryessa was finished by 1964. Based on its participation, Solano County maintains the majority of water rights to Lake Berryessa. Lake Berryessa has an approximate storage capacity of 1.6 million acre -feet.

owners in the Lake Berryessa area along with three special districts, including NBRID. As a subcontractor to NCFCWD, the District is annually entitled to 200 acre-feet of water from Lake Berryessa through 2024.

<b>NBRID – Available Water Supply (acre-feet)</b>	
Solano Project:	200 (annual entitlement) *

- \* Pursuant to its agreement with NCFCWCD, the District may request an increase to its annual entitlement of up to 20 percent, or 40 acre-feet. This annual entitlement continues through 2024.

## WATER DEMAND

In 2001-2002, NBRID delivered approximately 56,380,700 gallons (173 acre-feet) of potable water, resulting in a daily average of 154,468 gallons. The District's maximum day water demand was 392,000 gallons. The District currently provides water service to 314 service connections. Of this amount, one service connection serves the Steele Park Resort, while three service connections serve single-family residences located outside the Berryessa Highlands subdivision.<sup>8</sup> (Note: One of these residential service connections serves a total of eight parcels. These parcels are part of a 10-lot subdivision known as "Oakridge Estates," which is located directly north of Unit Two.)

<b>NBRID – 2001-2002 Water Demand</b>	
Annual Water Demand:	56,380,700 gallons
Average Daily Water Demand:	154,468 gallons
Maximum Day Demand:	392,000 gallons *
Service Connections:	314
Population Served:	1,534 **

- \* Title 22 of the California Code of Regulations requires that sufficient water be available from the water sources and distribution reservoirs to adequately and dependably meet the requirements of all users under maximum demand conditions.

- \*\* Calculated in accordance with Title 22 of the California Code of Regulations §64412(a)(3). Estimate based on the total number of assigned equivalent dwelling units (EDU) and multiplied by a service factor of 2.8. EDU assignments for the District include 320 for single-family residences and 228 for the Steele Park Resort.

<sup>8</sup> The Steele Park Resort is one of seven concessionary resorts under contract with the United States Department of the Interior, Bureau of Reclamation, to provide commercial and recreational services to the public at Lake Berryessa. Notably, the resort rents 142 mobile home spaces to seasonal residents. Tenants are allowed to live in their mobile homes for up to 175 days per year (no more than 90 consecutive days) and are provided with potable water and sewer hook-ups. The resort is open year-round, with peak operations between May and September. The resort's daytime population during this period averages 2,500. Mobile home spaces are secured through one-year leases.

Projected water demands for NBRID are not available.

## WATER TREATMENT FACILITIES

NBRID provides treatment of raw water generated from Lake Berryessa at the Napa-Berryessa Water Treatment Plant (WTP). Constructed in 1968, the Napa-Berryessa WTP provides chemical and physical treatment of raw water generated from an intake pump system at Lake Berryessa. The treatment process begins as raw water captured by two submersible pumps is conveyed through a transmission line connecting the intake system to the Napa-Berryessa WTP. Pro Pac (coagulant) and chlorine (disinfectant) are added and mixed as the raw water is conveyed into a clarifier. Raw water is detained in the clarifier to facilitate the sedimentation of solids in the water. Solids are removed as water is cycled through a filter tank before entering into a 35,000 gallon clearwell tank. The clearwell tank completes the disinfection process by allowing the water to complete its necessary contact time with the chlorine. The finished water remains in the clearwell tank until storage levels within the distribution system require recharge. The Napa-Berryessa WTP has a treatment capacity of approximately 425 gallons per minute, resulting in a daily treatment capacity of 612,000 gallons.

<b>Napa-Berryessa Water Treatment Plant</b>	
Water Source:	Solano Project (Lake Berryessa)
Treatment Capacity:	425 gallons per minute; or 612,000 gallons per day
Clearwell Tank Capacity:	35,000 gallons

## DISTRIBUTION SYSTEM AND STORAGE FACILITIES

NBRID's water distribution system receives and distributes treated water generated from the Napa-Berryessa WTP. The distribution system consists of a network of six, eight, ten, and twelve inch water lines. The distribution system provides water service Unit One and Unit Two of the Berryessa Highlands, Steele Park Resort, and three single-family residences located outside the subdivision. The distribution system overlays six water pressure zones and is served (recharge and system pressure) by a 500,000 gallon storage tank. Due to the service area's topography, a pump station is required to lift treated water from Napa-Berryessa WTP's clearwell tank into the distribution system and recharge the storage tank.

The distribution system operates on a supply and demand basis and responds to storage levels within the District's storage tank. When water levels within the storage tank fall below a designated operating level, treated water is discharged from the clearwell tank to the storage tank. The storage tank is located above the distribution system and uses gravity to maintain pressure in the system.



<b>NBRID – Distribution Storage Capacity</b>	
Storage Tank 1:	500,000 gallons
<b>TOTAL:</b>	<b>500,000 gallons*</b>

\* Total does not include storage capacity at Napa-Berryessa WTP's clearwell tank (35,000 gallons).

## **RATE SCHEDULE**

NBRID customers are charged two fees for water service: a monthly usage fee and an annual availability fee. Rates for these charges are divided between residential and commercial customers. The usage charge, which is the same for both residential and commercial customers, is based on the amount of water delivered and is measured in units of 1,000 gallons. The availability fee for residential customers is fixed and charged to all parcels that are metered for water service. Commercial customers are charged a fixed annual availability fee based on the number of equivalent dwelling units that are served by the service connection.<sup>9</sup> The District also collects a fixed one-time water service connection fee in the amount of \$1,300.

<b>NBRID – Rate Schedule</b>	
Water Usage Fee	
Residential:	\$1.71 per 1,000 gallons
Commercial:	\$1.71 per 1,000 gallons
Water Availability Fee	
Residential:	\$240 per parcel
Commercial:	\$18 per equivalent dwelling unit
Connection Fee	
Residential:	\$1,300

## **FINANCIAL**

NBRID has an approved operating budget for 2002-2003 of \$463,443. Primary expenses include maintenance and operation costs, payroll, and insurance coverage. The District's anticipated revenue for 2002-2003 is \$350,000. Revenue sources include water and sewer service fees and property taxes. The District's reserve balance as of February 2003 was \$364,193.

<sup>9</sup> NBRID provides water service to one commercial customer, the Steele Park Resort. Presently, Steele Park Resort is charged for 228 equivalent dwelling units as part its annual availability fee.

## WRITTEN DETERMINATIONS

In anticipation of reviewing and updating the Napa-Berryessa Resort Improvement District's sphere of influence, and based on the above-mentioned information, the following written determinations are intended to fulfill the requirements of California Government Code §56430. When warranted, some determinations include supplemental information listed in italics to provide context to the underlying service factor. A review of the District's sphere of influence will be included as part of a future study.

### Infrastructure Needs or Deficiencies:

1. Through its contractual agreement with the Napa County Flood Control and Water Conservation District, the Napa-Berryessa Resort Improvement District imports an adequate supply of water to meet existing system demands under normal conditions. It is anticipated that this supply is sufficient to meet future system demands under normal conditions within the timeframe of this study.
2. The Napa-Berryessa Resort Improvement District should continue to pursue opportunities to increase and enhance its available water supply by developing a water conservation program. A water conservation program, which should encompass a variety of measures to remind constituents of the importance of conservation, will reduce system demands and help to ensure an adequate water supply during periods of below normal and dry year conditions.
3. The ability of the Napa-Berryessa Resort Improvement District to address infrastructure needs or deficiencies in a timely manner is constrained by its financial resources relative to the cost of service.
4. The Napa-Berryessa Resort Improvement District's maximum day water demand is an important component in evaluating its current and future service capacities.

*Title 22 of the California Code of Regulations requires all public water service providers ensure sufficient water be available from their supply, treatment, and storage facilities to adequately and dependably meet the requirements of all users under maximum demand conditions before permitting additional connections.*

5. The Napa-Berryessa Resort Improvement District has adequate treatment capacity to independently meet existing maximum day water demands. It is anticipated that this capacity is sufficient to meet future maximum day water demands within the timeframe of this study.

*Napa-Berryessa Resort Improvement District's maximum day demand in 2002 was 392,000 gallons, while its water treatment plant's daily capacity is 612,000 gallons.*

6. The Napa-Berryessa Resort Improvement District has adequate treated water storage capacity to independently meet existing maximum day water demands. This capacity helps to ensure adequate reserves are available during an emergency or interruption in service. It is anticipated that this capacity is sufficient to meet future maximum day water demands within the timeframe of this study.

*Napa-Berryessa Resort Improvement District's treated water storage capacity is 500,000 gallons, while its maximum day water demand in 2002 was 392,000 gallons.*

7. Central components of the Napa-Berryessa Resort Improvement District's water system, including its treatment plant and storage tanks, have been in operation since the 1960s. As a result, the water system requires a higher level of maintenance, resulting in additional costs with respect to repairs and staff time.
8. The Napa-Berryessa Resort Improvement District requires a comprehensive facilities plan regarding its water service operations. This plan should evaluate existing water system facilities, project future water demands, and offer recommendations with respect to immediate and long-term capital improvements that are consistent with the service needs of the community.

#### Growth and Population Projections:

1. The Napa-Berryessa Resort Improvement District is under the land use authority of the County of Napa. Land located within the District's jurisdictional boundary is zoned "Agricultural Watershed," "Planned Development," and "Residential Country." Although parcels zoned Agricultural Watershed and Residential Country are restricted to minimum parcels sizes of 160 and 10 acres respectively, there are no minimum parcel sizes for parcels zoned Planned Development. This allows for additional density, including residential and commercial, to occur within the affected portions of Berryessa Highlands for existing or new lots upon the approval of a modified or new use permit.

*In absence of a use permit, allowable uses for parcels zoned planned development include telecommunication facilities and minor antennas. Allowable uses upon grant of a use permit include residential, commercial, educational, recreational, mobile home parks, and institutional facilities.*

2. Land located outside of the Napa-Berryessa Resort Improvement District's jurisdictional boundary is designated under the County of Napa General Plan as "Agriculture, Watershed, Open Space." This land use designation discourages the Commission from approving annexation proposals to the District based on its policy to direct the extension of municipal services away from land designated for agriculture unless it is in response to a health or public safety concern.

3. The calculation formula codified in Title 22 of the California Code of Regulations §64412(a)(3) is an appropriate method in estimating the total population served by Napa-Berryessa Resort Improvement District's water service system. The population served by the District's water system based on this calculation method is 1,534.

Financing Constraints and Opportunities:

1. The Napa-Berryessa Resort Improvement District's water supply agreement with the Napa County Flood Control and Water Conservation District provides the District with a reliable source of water at a cost below market value. This agreement enables the District to establish and maintain a revenue stream based on its water supply that exceeds its cost of purchase, which helps to finance other operational and maintenance services.

*The Napa-Berryessa Resort Improvement District currently pays the Napa County Flood Control and Water Conservation District \$20 per acre foot (325,900 gallons), while charging customers a usage rate of \$1.71 per 1,000 gallons. This results in a cost-to-revenue of \$20 to \$557 for each acre-foot (note: this does not take into account pumping, treatment, storage, and distribution costs.)*

2. The ability of the Napa-Berryessa Resort Improvement District to generate sufficient revenues has been hampered by unfulfilled development plans within its jurisdictional boundary. As a result, service costs for the District is spread out among fewer ratepayers, resulting in under funded operations and dependency on outside assistance to finance capital improvements.
3. Over the past several years, the Napa-Berryessa Resort Improvement District has relied on its cash reserves to help meet its operating expenses. The use of cash reserves to cover operating expenses restricts the ability of the District to generate and dedicate cash reserves for needed capital improvements.
4. Approximately one-third of the Napa Berryessa Resort Improvement District's annual revenue is generated from service charges to the Steele Park Resort, which is under contract with the federal government to provide visitor services at Lake Berryessa. The federal government is presently evaluating redevelopment opportunities at Lake Berryessa, which may result in significant operating changes for the Steele Park Resort at the conclusion of its contract in 2008. Pending a final determination concerning future visitor services at Lake Berryessa, the District may experience a significant loss in annual revenues within the timeframe of this study.

5. The Napa-Berryessa Resort Improvement District's connection fee for water service is low relative to the connection fee adopted by other public water service providers in Napa County. As part of a water rate evaluation, the District should consider increasing its connection fee to help cover the cost of capital improvements needed to serve existing and future development within its jurisdictional boundary.
6. The Napa-Berryessa Resort Improvement District's connection fee serves as a buy-in charge for new development within its jurisdictional boundary. This is an appropriate and equitable approach to ensuring that new development pays a fair share of past and future expense relating to the development and maintenance of the water system.
1. The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 provides grant funding to public agencies to develop and enhance local water resources and related infrastructure and facilities. This program may provide the Napa-Berryessa Resort Improvement District an opportunity to secure financing for needed capital improvement projects, including automating its operational facilities. The District should contact the California Department of Water Resources to begin exploring funding opportunities under this program.

#### Cost Avoidance Opportunities:

1. The Napa-Berryessa Resort Improvement District benefits from cost-savings associated with its relationship with the County of Napa Public Works Department. Notable cost-savings associated with this relationship include providing the District with access to a wide range of administrative and operational support, including billing and collections, engineering, and maintenance personnel.
2. The Napa-Berryessa Resort Improvement District would benefit from a regional study evaluating whether cost avoidance opportunities are available with respect to joint agency practices with other special districts serving the Lake Berryessa area. Notably, a regional study may identify opportunities to realize savings relating to infrastructure and equipment purchases, engineering services, and administrative costs.

#### Opportunities for Rate Restructuring:

1. The Napa-Berryessa Resort Improvement District is presently evaluating a water rate increase to support increased operational and maintenance costs and to help fund capital improvements. Future studies should examine the relationship between possible rate increases and the District's ability to encourage water conservation while generating sufficient revenues to meet cost of service.

2. The Napa-Berryessa Resort Improvement District's water rates are among the lowest of all public water service providers in Napa County. To avoid future operating deficits, the District should increase its water rates to be more reflective of the actual costs of providing water service.
3. It is appropriate for the Napa-Berryessa Resort Improvement District to amend its water rates to be more reflective of the actual costs of providing water service. An increase in rates, which last occurred five years ago, would provide the District with additional revenue needed to finance capital improvements and help to prevent future operating deficits.
4. The Napa-Berryessa Resort Improvement District should review the merits of modifying its flat water usage rate schedule in favor of a tiered schedule. A tiered rate schedule enables service providers to recover the costs of providing service to high-use customers while strengthening water conservation efforts by providing a financial incentive to conserve.

#### Opportunities for Shared Facilities:

1. The Napa-Berryessa Resort Improvement District maintains an informal relationship with the Lake Berryessa Resort Improvement District to share staff, equipment, and materials on a need basis. This relationship provides a mechanism for both districts to pursue cost-efficiencies with one another with respect to mutually beneficial improvements and projects within their respective service areas.
2. The Napa-Berryessa Resort Improvement District should explore opportunities to share costs with the Spanish Flat Water District based on their proximity and similar service area characteristics.

#### Government Structure Options:

1. The Napa-Berryessa Resort Improvement District is the only public agency providing water service within its jurisdictional boundary. There are two other public agencies empowered to provide water service whose jurisdictions overlap that of the District: the Napa County Flood Control and Water Conservation District and Napa County Resource Conservation District. Both of these agencies have elected not to offer water service, and have expressed no intentions of doing so in the foreseeable future.
2. Due to an amendment to its principal act, the Resort Improvement District Law, the Napa-Berryessa Resort Improvement District is limited to providing only water and sewer service. Additional analysis is needed to determine whether any additional municipal services originally authorized for the District to provide are required or warranted with respect to meeting the service needs of the community.

*At the time of its formation, the Napa-Berryessa Resort Improvement District was authorized to provide twelve municipal services: water, sewer, fire protection, community planning, garbage collection and disposal, public recreation, street lighting, mosquito abatement, maintenance of a police department, road construction, and general public works.*

3. The Napa-Berryessa Resort Improvement District has been successful in achieving its original service objective to provide water and sewer service to the Berryessa Highlands and Steele Park Resort. However, due to its financial constraints, it is unclear whether the District under its present organization can continue to effectively meet the service needs of the community.
4. Preliminary analysis suggests that there may be advantages to pursuing a change in organization for the Napa-Berryessa Resort Improvement District, and that consolidation with the Lake Berryessa Resort Improvement District and the Spanish Flat Water District may be appropriate. This analysis indicates that reorganization of these districts may establish economies of scale necessary to enhance operational and service levels within their respective jurisdictional boundaries and help to formalize service provision in the Lake Berryessa area.
5. Pursuant to California Government Code §56378, LAFCO should conduct a governance study to evaluate the merits of reorganizing the Napa-Berryessa Resort Improvement District, Lake Berryessa Resort Improvement District, and the Spanish Flat Water District. This study should be completed prior to the next scheduled service review of the District.

#### Evaluation of Management Efficiencies:

1. The Napa-Berryessa Resort Improvement District provides an annual summary of past and projected revenues and expenditures relating to its water service operations as part of its annual budget. The budget is adopted following a publicly noticed board meeting in which members of the public are allowed to comment and offer suggestions with respect to expenditures relating to water service. In addition to enhancing the accountability of the governing board, the budget process provides a clear directive towards staff with respect to prioritizing district resources.
2. The Napa-Berryessa Resort Improvement District is indirectly managed by the Napa County Flood Control and Water Conservation District, which in turns, has an informal arrangement with County Public Works for administrative and operational support. This arrangement has helped to facilitate a mistaken perception of service responsibilities within the community. The District should make a concerted effort to remind its constituents that it, not the County, is the local water use authority for the community.

Local Accountability and Governance:

1. The Napa-Berryessa Resort Improvement District meetings are conducted on a need basis at the County of Napa's Administration Building and are open to the public. To improve its local accountability, the District should adopt a regular meeting schedule. Regularly scheduled meetings provide an opportunity for the District's constituents to ask questions of their governing board, while helping to ensure that service information is being effectively communicated to the public.
2. The Napa-Berryessa Resort Improvement District makes reasonable efforts to maintain public dialogue with its constituents regarding its water service operations. These efforts facilitate local accountability and contribute towards public involvement in local governance.
3. The Napa-Berryessa Resort Improvement District should closely monitor the plans of the United States Department of the Interior, Bureau of Reclamation, with respect to long-term visitor uses at Lake Berryessa. This will help prepare the District for possible operational changes at the Steele Park Resort, which may require the development of an alternative service plan to account for a diminished revenue stream.
4. The Napa-Berryessa Resort Improvement District's water service operations are maintained and managed by a responsive and professional staff. These characteristics enhance accountability and cultivate desirable working relationships with members of the public as well as other agencies.